



Office of the EVP and Chief Financial Officer

Trunk Lines: 8526-3131 to 70/8891-6040 to 70
Local: 4074

August 12, 2024

ATTY. STEFANIE ANN B. GO

Officer-in-Charge, Disclosure Department
Philippine Stock Exchange
6/F PSE Tower
28th Street corner 5th Avenue
BGC, Taguig City

ATTY. SUZY CLAIRE R. SELLEZA

Head, Issuer Compliance and Disclosure Department
Philippine Dealing & Exchange Corporation
29/F, BDO Equitable Tower
8751 Paseo de Roxas, Makati City

Dear Mesdames:

In compliance with the reportorial requirements of Section 17 of the Securities Regulation Code (SRC) and Section 177 of the Revised Corporation Code of the Philippines, we provide you the SEC Form 17-Q report of the Philippine National Bank as of and for the period ended June 30, 2024.

Very truly yours,


FRANCIS B. ALBALATE
Executive Vice President &
Chief Financial Officer



Office of the EVP and Chief Financial Officer

Trunk Lines: 8526-3131 to 70/8891-6040 to 70
Local: 4074

CERTIFICATION

I, **FRANCIS B. ALBALATE**, is a duly authorized representative of Philippine National Bank ("PNB"), a universal banking corporation organized and existing under the laws of the Republic of the Philippines under SEC Registration No. AS096-005555, with principal office address at the PNB Financial Center, Pres. Diosdado Macapagal Blvd., Pasay City, Metro Manila, on oath state that:

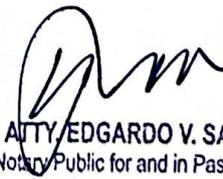
1. On behalf of PNB, I have caused this SEC Form 17-Q Report as of and for the period ended June 30, 2024 to be prepared;
2. I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
3. PNB will comply with the requirements set forth in SEC Notice dated May 12, 2021 for a complete and official submission of reports and/or documents through electronic mail; and
4. I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of the filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand on August 12, 2024, in Pasay City, Metro Manila.


FRANCIS B. ALBALATE
Executive Vice President and
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this AUG 12 2024 in
Pasay City, affiant exhibited to me his SSS ID No. 33-1489981-0.

Doc. No. 182
Page No. 38
Book No. 111
Series of 2024.


ATTY. EDGARDO V. SATUR
Notary Public for and in Pasay City
9th Floor, Legal Group, PNB Financial Center
Pres. Diosdado Macapagal Blvd., Pasay City
Commission No. 24-49 until 12-31-2025
PTR No. 8456103 / 01-03-2024 / Pasay City
Roll No. 34783, IBP OR No. 367864 / 11-14-2023
MCLE Compliance No. VII-0004912

SEC Number AS096-005555
File Number _____

**PHILIPPINE NATIONAL BANK
AND SUBSIDIARIES**

(Company's Full Name)

**PNB Financial Center,
Pres. Diosdado P. Macapagal Boulevard, Pasay City**

(Company's Address)

(632) 8891-6040 to 70

(Telephone Number)

DECEMBER 31, 2023

(Calendar Year Ended)

SEC FORM 17-Q REPORT

Form Type

(Amendment Designation (if applicable))

JUNE 30, 2024

Period Ended Date

LISTED

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION
CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarter ended : **June 30, 2024**
2. Commission Identification No. : **AS096-005555**
3. BIR Tax Identification No. : **000-188-209-000**
4. Exact name of issuer as specified in its charter : **Philippine National Bank**
5. Province, country or other jurisdiction of incorporation or organization : **Metro Manila, Philippines**
6. Industry Classification Code : (SEC Use Only)
7. Address of principal office : **PNB Financial Center, Pres. Diosdado P. Macapagal Blvd, Pasay City, 1300**
8. Issuer's telephone number, including area code : **(632) 8891-60-40 to 70 / (632) 8526-3131 to 70**
9. Former name, former address, and former fiscal year, if changed since last report : N/A
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>No. of Shares of Common Stock Outstanding</u>	<u>Amount of Debt Outstanding (Unpaid Subscription)</u>
Common Shares	1,525,764,850	None

11. Are any or all of these securities listed on a Stock Exchange:

Yes [] No []

Stock Exchange : **Philippine Stock Exchange**
Class of Securities : **Common Shares**

12. Indicate by check mark whether the registrant:

- a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11 (a) – 1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

Yes [] No []

- b) has been subject to such filing requirements for the past ninety (90) days.

Yes [] No []

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see Annex A for the accompanying unaudited interim consolidated financial statements.

Item 2. Management’s Discussion and Analysis

Financial Condition as at June 30, 2024 (Unaudited) Compared to December 31, 2023 (Audited)

The Group’s consolidated total assets stood at ₱1,256.3 billion as of June 30, 2024, 3.8% or ₱45.8 billion higher compared to ₱1,210.5 billion reported as of December 31, 2023. Major changes (+/-5% variance) in assets were registered in the following accounts:

- **Cash and Cash Equivalents**

<i>(In Thousands)</i>	June 30, 2024	December 31, 2023	Increase/ (Decrease)	%
Cash and Other Cash Items	₱17,180,496	₱21,151,391	(₱3,970,895)	(18.8)
Due from Bangko Sentral ng Pilipinas	110,198,990	95,410,350	14,788,640	15.5
Due from Other Banks	20,881,818	21,243,856	(362,038)	(1.7)
Interbank Loans Receivable	30,668,382	30,955,766	(287,384)	(0.9)
Securities Held under Agreements to Resell	84,074,590	69,694,538	14,380,052	20.6
	₱263,004,276	₱238,455,901	₱24,548,375	10.3

Total Cash and Cash Equivalents as of June 30, 2024, stand at ₱263.0 billion, ₱24.5 billion or 10.3% higher than the ₱238.5 billion reported on December 31, 2023.

Available liquid funds were placed under Due from Bangko Sentral ng Pilipinas and repurchase agreements, which are booked under Securities Held under Agreements to Resell.

Please refer to the interim consolidated statements of cash flows for more information relating to cash and cash equivalents.

- **Trading and Investment Securities**

<i>(In Thousands)</i>	June 30, 2024	December 31, 2023	Increase/ (Decrease)	%
Financial Assets at Fair Value Through Profit or Loss (FVTPL)	₱22,572,918	₱10,516,864	₱12,056,054	114.6
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)	166,975,375	164,531,492	2,443,883	1.5
Investment Securities at Amortized Cost	114,301,137	123,200,427	(8,899,290)	(7.2)
	₱303,849,430	₱298,248,783	₱5,600,647	1.9

Trading and Investment Securities, representing 24.2% and 24.6% of the Group’s total assets as of June 30, 2024, and December 31, 2023, respectively, increased by ₱5.6 billion or 1.9%, mainly due to net purchases of financial assets at FVTPL and at FVOCI and offset by matured investment securities at amortized cost, during the period.

- **Deferred Tax Assets**

<i>(in thousands)</i>	June 30, 2024	December 31, 2023	Increase/ (Decrease)	%
Deferred Tax Assets	₱7,958,540	₱6,981,726	₱976,814	14.0

Deferred Tax Assets increased by ₱1.0 billion or 14.0%, to ₱8.0 billion as of June 30, 2024, from ₱7.0 billion as of December 31, 2023, mainly due to the recognition of additional deferred tax assets on allowance for credit losses.

- **Other Assets**

<i>(in thousands)</i>	June 30, 2024	December 31, 2023	Increase/ (Decrease)	%
Other Assets	₱7,558,132	₱5,454,301	₱2,103,831	38.6

Other Assets grew by ₱2.1 billion or 38.6% to ₱7.6 billion as of June 30, 2024, from ₱5.5 billion as of December 31, 2023, mainly due to increases in systems under development, creditable withholding taxes and prepaid expenses.

The Group's consolidated total liabilities were at ₱1,053.6 billion as of June 30, 2024, 3.4% or ₱34.2 billion higher than the ₱1,019.4 billion as of December 31, 2023. Major changes (+/-5% variance) in liability accounts were as follow:

- **Deposit Liabilities**

<i>(in thousands)</i>	June 30, 2024	December 31, 2023	Increase/ (Decrease)	%
Demand	₱231,001,337	₱228,405,865	₱2,595,472	1.1
Savings	567,099,016	541,009,449	26,089,567	4.8
Time	138,301,096	145,752,061	(7,450,965)	(5.1)
Long Term Negotiable Certificates of Deposit	12,814,379	12,803,543	10,836	0.1
	₱949,215,828	₱927,970,918	₱21,244,910	2.3

Deposit Liabilities at ₱949.2 billion and ₱928.0 billion, which represent 90.1% and 91.0% of the Group's total liabilities as of June 30, 2024 and December 31, 2023, respectively, are higher by ₱21.2 billion or 2.3% mainly due to increase in Savings Deposits by ₱26.1 billion or 4.8% and Demand Deposits by ₱2.6 billion or 1.1%, partially offset by decrease in Time Deposits of ₱7.5 billion or 5.1%.

- **Financial Liabilities at FVTPL**

<i>(in thousands)</i>	June 30, 2024	December 31, 2023	Increase/ (Decrease)	%
Financial Liabilities at FVTPL	₱833,079	₱555,811	₱277,268	49.9

Financial Liabilities at FVTPL of ₱0.8 billion as at June 30, 2024 is ₱0.3 billion higher than the 2023 year-end balance of ₱0.6 billion mainly from increases in the position and fair values of stand-alone forwards.

- **Bonds Payable**

<i>(in thousands)</i>	June 30, 2024	December 31, 2023	Increase/ (Decrease)	%
Bonds Payable	₱43,949,434	₱41,490,871	₱2,458,563	5.9

Bonds Payable increased by ₱2.5 billion or 5.9% from ₱41.5 billion as of December 31, 2023, to ₱43.9 billion as of June 30, 2024, primarily due to the revaluation of foreign currency-denominated bonds.

- **Other Liabilities**

<i>(in thousands)</i>	June 30, 2024	December 31, 2023	Increase/ (Decrease)	%
Accrued Taxes, Interest and Other Expenses	₱9,250,288	₱10,465,373	(₱1,215,085)	(11.6)
Income Tax Payable	₱1,006,425	₱180,364	₱826,061	458.0
Other Liabilities	₱25,882,292	₱14,741,922	₱11,140,370	75.6

Accrued Taxes, Interest, and Other Expenses declined by ₱1.2 billion, dropping from ₱10.5 billion as of December 31, 2023, to ₱9.3 billion as of June 30, 2024. This reduction was due to the decrease in accrued interest on savings deposits attributable to the changes in the cut-off for interest pay-outs and accruals. Additionally, there were lower accruals for taxes and licenses during the period.

Income Tax Payable increased by ₱0.8 billion or 458.0% from ₱0.2 billion as of December 31, 2023, to ₱1.0 billion as of June 30, 2024, mainly due to higher income tax liability for the period.

Other Liabilities at ₱25.9 billion as of June 30, 2024 increased from ₱14.7 billion as of December 31, 2023, mainly due to increases in accounts payable and due to other banks.

The Group's consolidated total equity was composed of the following:

<i>(in thousands)</i>	June 30, 2024	December 31, 2023	Increase/ (Decrease)	%
Capital Stock	₱61,030,594	₱61,030,594	₱–	–
Capital Paid in Excess of Par Value	32,116,560	32,116,560	–	–
Surplus Reserves	4,825,736	4,677,930	147,806	3.2
Surplus	102,047,423	91,979,317	10,068,106	10.9
Net Unrealized Losses on Financial Assets at FVOCI	(1,201,458)	(1,722,653)	521,195	(30.3)
Remeasurement Losses on Retirement Plan	(2,732,683)	(2,728,542)	(4,141)	0.2
Accumulated Translation Adjustment	2,525,097	1,999,668	525,429	26.3
Other Equity Reserves	248,830	248,830	–	–
Share in Aggregate Reserves on Life Insurance Policies	135,151	24,246	110,905	457.4
Other Equity Adjustment	13,959	13,959	–	–
	199,009,209	187,639,909	11,369,300	6.1
Non-Controlling Interests	3,770,887	3,508,745	262,142	7.5
	₱202,780,096	₱191,148,654	₱11,631,442	6.1

Total Equity stood at ₱202.8 billion as of June 30, 2024 from ₱191.1 billion as of December 31, 2023, or an increase of ₱11.6 billion or 6.1% attributed mainly to the consolidated net income reported for the period by ₱10.3 billion, decrease in Net Unrealized Losses on Financial Assets at FVOCI, and increases in Accumulated Translation Adjustment, Non-Controlling Interests and Share in Aggregate Reserves on Life Insurance Policies by ₱0.5 billion, ₱0.5 billion, ₱0.3 billion, and ₱0.1 billion, respectively.

Results of Operation for the Six Months and Quarters Ended June 30, 2024 (Unaudited) Compared to Same Period Ended June 30, 2023 (Unaudited)

For the six months ended June 30, 2024, the Group recorded a consolidated net income of ₱10.3 billion, growing by 5.6% year-on-year on the back of robust net interest income compared to the ₱9.7 billion net income for the period ended June 30, 2023.

For the quarter ended June 30, 2024, the Group recorded a consolidated net income of ₱5.0 billion, slightly higher compared to the ₱4.9 billion net income for the period ended June 30, 2023.

The higher net income in 2024 is primarily due to the following:

- **Net Interest Income**

<i>(in thousands)</i>	For the Six Months Ended				For the Quarters Ended			
	June 30		Increase/ (Decrease)	%	June 30		Increase/ (Decrease)	%
	2024	2023			2024	2023		
Interest income	₱32,969,137	₱28,276,936	₱4,692,201	16.6	₱16,885,597	₱14,481,818	₱2,403,779	16.6
Interest expense	8,938,955	6,662,006	2,276,949	34.2	4,548,673	3,319,100	1,229,573	37.0
	₱24,030,182	₱21,614,930	₱2,415,252	11.2	₱12,336,924	₱11,162,718	₱1,174,206	10.5

Net interest income amounted to ₱24.0 billion for the six months ended June 30, 2024, higher by 11.2% or ₱2.4 billion compared to the same period last year. Gross interest income increased by 16.6% or ₱4.7 billion to ₱33.0 billion for the period, mainly due to higher yields coupled with an increase in the volume of investment securities, loans, and securities held under agreement to resell. Gross interest expense likewise increased by ₱2.3 billion or 34.2% to ₱8.9 billion from ₱6.7 billion in the same period last year largely due to increase in interest cost of deposit liabilities, reflecting both higher rates and an increased volume of deposits.

Net interest income is at ₱12.3 billion for the quarter ended June 30, 2024, higher than the ₱11.2 billion in the same period last year by ₱1.2 billion or 10.5% on account of higher yields and increase in volume of trading and investment securities as well as loans and receivables. This was offset by higher interest cost of deposit liabilities.

- **Net Service Fees and Commission Income**

<i>(in thousands)</i>	For the Six Months s Ended				For the Quarters Ended			
	June 30		Increase/ (Decrease)	%	June 30		Increase/ (Decrease)	%
	2024	2023			2024	2023		
Service fees and commission income	₱3,002,120	₱3,719,115	(₱716,995)	(19.3)	₱1,477,216	₱1,880,306	(₱403,090)	(21.4)
Service fees and commission expense	728,126	587,256	140,870	24.0	386,055	299,537	86,518	28.9
	₱2,273,994	₱3,131,859	(₱857,865)	(27.4)	₱1,091,161	₱1,580,769	(₱489,608)	(31.0)

Net service fees and commission income for the six months ended June 30, 2024 is lower by ₱0.9 billion or 27.4% compared to the same period last year to ₱2.3 billion, as increases in credit

card, loan-related, and deposit-related fees were offset by decline in other fees that include underwriting activities.

For the quarter ended June 30, 2024, net service fees and commission income decreased by ₱0.5 billion or 31.0% compared to the same period last year to ₱1.1 billion, mainly due to lower fees including income from underwriting activities.

- **Other Operating Income**

<i>(in thousands)</i>	For the Six Months Ended		Increase/ Decrease	%	For the Quarters Ended		Increase/ Decrease	%
	June 30	2023			June 30	2023		
	2024	2023			2024	2023		
Net gains on sale or exchange of assets	₱506,130	₱2,933,497	(₱2,427,367)	(82.7)	₱255,501	₱293,460	(₱37,959)	(12.9)
Foreign exchange gains - net	500,482	905,588	(405,106)	(44.7)	163,132	539,664	(376,532)	(69.8)
Trading and investment securities gains - net	376,134	74,146	301,988	407.3	191,157	52,506	138,651	264.1
Equity in net earnings of an associate	241,940	161,052	80,888	50.2	101,062	90,506	10,556	11.7
Miscellaneous	715,637	467,115	248,522	53.2	441,605	166,446	275,159	165.3
	₱2,340,323	₱4,541,398	(₱2,201,075)	(48.5)	₱1,152,457	₱1,142,582	₱9,875	0.9

Other operating income decreased by ₱2.2 billion, a 48.5% decline, to ₱2.3 billion for the six months ended June 30, 2024, compared to ₱4.5 billion in the same period last year. This decrease was primarily due to the recognition of higher gains from the sale of investment properties in 2023 and lower foreign exchange gains in June 2024. However, this decline was partially offset by higher net trading gains by ₱0.3 billion and equity in net earnings of an associate by ₱0.1 billion.

For the quarter ended June 30, 2024, other income slightly increased by ₱9.9 million or 0.9% at ₱1,152.5 million, compared to ₱1,142.6 million for the same period last year, mainly from improvements in net trading and investment securities gains.

- **Operating Expenses**

<i>(in thousands)</i>	For the Six Month Ended		Increase/ Decrease	%	For the Quarters Ended		Increase/ Decrease	%
	June 30	2023			June 30	2023		
	2024	2023			2024	2023		
Compensation and fringe benefits	₱5,421,951	₱5,256,110	₱165,841	3.2	₱2,620,694	₱2,629,925	(₱9,231)	(0.4)
Taxes and licenses	2,602,295	2,511,947	90,348	3.6	1,207,423	1,103,399	104,024	9.4
Depreciation and amortization	1,668,165	2,014,303	(346,138)	(17.2)	809,880	1,084,198	(274,318)	(25.3)
Occupancy and equipment-related costs	464,717	434,343	30,374	7.0	265,669	196,833	68,836	35.0
Miscellaneous	4,147,078	4,697,417	(550,339)	(11.7)	2,058,032	1,959,438	98,595	5.0
	₱14,304,206	₱14,914,120	(₱609,914)	(4.1)	₱6,961,698	₱6,973,793	(₱12,094)	(0.2)

Total operating expenses is at ₱14.3 billion for the six months ended June 30, 2024, ₱0.6 billion or 4.1% lower compared to the same period last year. This reduction was primarily due to lower depreciation on right-of-use assets. The decline in miscellaneous expenses is driven by non-recurring expenses incurred in the prior period.

For the quarter ended June 30, 2024 and 2023, total operating expenses is at ₱6,961.7 million and ₱6,973.8 million, respectively.

- **Provision for Impairment, Credit and Other Losses**

<i>(in thousands)</i>	For the Six Months Ended		Increase/ Decrease	%	For the Quarters Ended		Increase/ Decrease	%
	June 30				June 30			
	2024	2023			2024	2023		
Provision for (reversal of) impairment, credit and other losses	₱2,069,411	₱1,567,946	₱501,465	32.0	₱1,449,655	(₱46,760)	₱1,496,415	(3,200.2)

The Group maintained its conservative approach to provisioning due to uncertainties caused by high interest rates, resulting in an additional provision for impairment, credit, and other losses of ₱2.1 billion in the first half of 2024, compared to ₱1.6 billion in the prior year.

For the quarter ended June 30, 2024, provisions for impairment, credit and losses is higher at ₱1.4 billion compared to a reversal in provisions booked in the prior year.

The Group's total consolidated comprehensive income was composed of the following:

<i>(in thousands)</i>	For the Six Months Ended		Increase/ Decrease	%	For the Quarters Ended		Increase/ Decrease	%
	June 30				June 30			
	2024	2023			2024	2023		
Net income	₱10,290,193	₱9,741,743	₱548,450	5.6	₱4,983,869	₱4,934,872	₱48,997	1.0
Other comprehensive income, net of tax	1,344,795	2,135,707	(790,912)	(37.0)	1,172,801	160,426	1,012,375	(631.1)
	₱11,634,988	₱11,877,450	(₱242,462)	(2.0)	₱6,156,670	₱5,095,298	₱1,061,372	20.8

Total comprehensive income for the six months ended June 30, 2024 amounted to ₱11.6 billion, lower by ₱0.2 billion compared to the same period last year mainly due to unrealized losses on financial assets at FVOCI by ₱1.8 billion and share in changes in net unrealized losses on financial assets at FVOCI of an associate of ₱0.5 billion, offset by increase in accumulated translation adjustment by ₱1.4 billion, share in aggregate reserves on life insurance policies by ₱0.1 billion and higher net income by ₱0.5 billion during the period.

For the quarter ended June 30, 2024, total comprehensive income amounted to ₱6.2 billion, higher by ₱1.1 billion compared to the same period last year mainly due to higher accumulated translation adjustment by ₱1.1 billion, net change in unrealized gains (losses) on financial assets at FVOCI by ₱0.5 billion, and share in the changes in aggregate reserves (losses) on life insurance policies by ₱0.1 billion, offset by a decrease in share in changes in net unrealized gains (losses) on financial assets at FVOCI of an associate of ₱0.6 billion.

PART II – OTHER INFORMATION

Key Performance Indicators and Selected Financial Ratios

	For the Six Months Ended	
	2024	2023
	(Unaudited)	(Unaudited)
Statement of Income		
Return on Average Equity ^{1/}	10.5%	10.3%
Return on Average Assets ^{2/}	1.7%	1.6%
Net Interest Margin ^{3/}	4.4%	4.2%
Cost Efficiency Ratio ^{4/}	49.9%	50.9%
Basic Earnings Per Share	₱6.70	₱6.39
Interest Coverage ^{5/}	2.4x	2.9x

^{1/} Annualized net income (except for one-off transactions which are not annualized) divided by average total equity for the period indicated

^{2/} Annualized net income (except for one-off transactions which are not annualized) divided by average total assets for the period indicated

^{3/} Annualized net interest income divided by average interest-earning assets for the period indicated

^{4/} Ratio of total operating expenses to total operating income

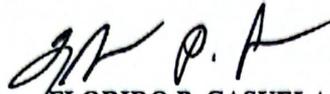
^{5/} Earnings before interest expense and provision for income tax divided by interest expense

	June 30, 2024 (Unaudited)	June 30, 2023 (Unaudited)	December 31, 2023 (Audited)
Statement of Financial Position			
Capital Ratios:			
Capital Adequacy Ratio	19.4%	16.8%	17.7%
Common Equity Tier 1 Ratio	18.5%	16.0%	16.9%
Non-Performing Loans Ratios:			
Net of allowance	2.1%	2.7%	2.5%
Gross of allowance	5.9%	6.6%	6.3%
NPL coverage	85.6%	82.1%	88.5%
Current Ratio	72.5%	66.6%	70.6%
Liquid Assets-to-Total Assets	30.8%	28.5%	30.2%
Liquid Assets-to-Liquid Liabilities	37.8%	35.4%	36.9%
Debt-to-Equity	5.2x	5.4x	5.3x
Assets-to-Equity	6.2x	6.4x	6.3x
Book Value per Share	₱130.4	₱116.9	₱123.0

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

PHILIPPINE NATIONAL BANK



FLORIDO P. CASUELA
President and Chief Executive Officer



FRANCIS B. ALBALATE
Executive Vice President and Chief Financial Officer

ANNEX A

Philippine National Bank and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
as at June 30, 2024 and
for the six-months ended
June 30, 2024 and 2023

*(With Comparative Audited Consolidated Statement of Financial Position
as at December 31, 2023)*

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****AS AT JUNE 30, 2024****(With Comparative Audited Figures as at December 31, 2023)****(In Thousands)**

	June 30, 2024	December 31,
	(Unaudited)	2023 (Audited)
ASSETS		
Cash and Other Cash Items	₱17,180,496	₱21,151,391
Due from Bangko Sentral ng Pilipinas (Note 6)	110,198,990	95,410,350
Due from Other Banks (Note 19)	20,881,818	21,243,856
Interbank Loans Receivable (Notes 19 and 21)	33,119,845	35,634,440
Securities Held Under Agreements to Resell	84,074,590	69,694,538
Trading and Investment Securities		
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 7)	22,572,918	10,516,864
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Notes 7 and 19)	166,975,375	164,531,492
Investment Securities at Amortized Cost (Note 7)	114,301,137	123,200,427
Loans and Receivables (Note 8)	631,845,637	616,710,746
Property and Equipment (Note 9)	10,353,049	10,754,018
Investment in an Associate	3,193,400	3,199,124
Investment Properties (Note 10)	14,691,108	14,579,558
Deferred Tax Assets (Note 17)	7,958,540	6,981,726
Intangible Assets (Note 11)	1,259,204	1,301,726
Goodwill (Note 11)	10,184,843	10,184,843
Other Assets (Note 12)	7,558,132	5,454,301
TOTAL ASSETS	₱1,256,349,082	₱1,210,549,400
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities (Notes 14 and 19)		
Demand	₱231,001,337	₱228,405,865
Savings	567,099,016	541,009,449
Time	138,301,096	145,752,061
Long Term Negotiable Certificates of Deposit	12,814,379	12,803,543
	949,215,828	927,970,918
Financial Liabilities at FVTPL	833,079	555,811
Bills and Acceptances Payable (Notes 19 and 21)	19,767,087	20,162,603
Bonds Payable (Notes 14, 19 and 21)	43,949,434	41,490,871
Lease Liabilities (Notes 19 and 21)	3,664,553	3,832,884
Accrued Taxes, Interest and Other Expenses (Note 19)	9,250,288	10,465,373
Income Tax Payable	1,006,425	180,364
Other Liabilities (Note 12)	25,882,292	14,741,922
TOTAL LIABILITIES	1,053,568,986	1,019,400,746

(Forward)

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		
Capital Stock (Note 15)	₱61,030,594	₱61,030,594
Capital Paid in Excess of Par Value	32,116,560	32,116,560
Surplus Reserves (Notes 8 and 15)	4,825,736	4,677,930
Surplus	102,047,423	91,979,317
Net Unrealized Losses on Financial Assets at FVOCI (Note 7)	(1,201,458)	(1,722,653)
Remeasurement Losses on Retirement Plan	(2,732,683)	(2,728,542)
Accumulated Translation Adjustment	2,525,097	1,999,668
Other Equity Reserves	248,830	248,830
Share in Aggregate Reserves on Life Insurance Policies	135,151	24,246
Other Equity Adjustment	13,959	13,959
	199,009,209	187,639,909
NON-CONTROLLING INTERESTS	3,770,887	3,508,745
TOTAL EQUITY	202,780,096	191,148,654
TOTAL LIABILITIES AND EQUITY	₱1,256,349,082	₱1,210,549,400

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Earnings Per Share)
(Unaudited)

	For the Six Months Ended		For the Quarters Ended	
	June 30		June 30	
	2024	2023	2024	2023
INTEREST INCOME ON				
Loans and receivables (Notes 8 and 19)	₱21,625,024	₱19,907,723	₱11,019,301	₱10,315,862
Investment securities at amortized cost and financial assets at FVOCI (Note 7)	7,888,653	5,884,413	4,025,278	2,960,445
Interbank loans receivable and securities held under agreements to resell	2,214,841	1,131,209	1,170,519	623,145
Deposits with banks and others (Notes 6 and 19)	950,260	1,226,611	486,853	507,553
Financial assets at FVTPL (Note 7)	290,359	126,980	183,646	74,813
	32,969,137	28,276,936	16,885,597	14,481,818
INTEREST EXPENSE ON				
Deposit liabilities (Notes 14 and 19)	8,077,796	5,531,831	4,109,536	2,817,503
Bonds payable (Notes 14 and 19)	729,499	942,571	372,141	409,803
Bills payable and other borrowings (Note 19)	131,660	187,604	66,996	91,794
	8,938,955	6,662,006	4,548,673	3,319,100
NET INTEREST INCOME	24,030,182	21,614,930	12,336,924	11,162,718
Service fees and commission income (Notes 16 and 19)	3,002,120	3,719,115	1,477,216	1,880,306
Service fees and commission expense	728,126	587,256	386,055	299,537
NET SERVICE FEES AND COMMISSION INCOME	2,273,994	3,131,859	1,091,161	1,580,769
OTHER INCOME				
Net gains on sale or exchange of assets (Notes 9 and 10)	506,130	2,933,497	255,501	293,460
Foreign exchange gains - net	500,482	905,588	163,132	539,664
Trading and investment securities gains - net (Note 7)	376,134	74,146	191,157	52,506
Equity in net earnings of an associate	241,940	161,052	101,062	90,506
Miscellaneous	715,637	467,115	441,605	166,446
TOTAL OTHER INCOME	2,340,323	4,541,398	1,152,457	1,142,582
TOTAL OPERATING INCOME	28,644,499	29,288,187	14,580,542	13,886,069
PROVISION FOR (REVERSAL OF) IMPAIRMENT, CREDIT AND OTHER LOSSES (Note 13)				
	2,069,411	1,567,946	1,449,655	(46,760)
OPERATING EXPENSES				
Compensation and fringe benefits	5,421,951	5,256,110	2,620,694	2,629,925
Taxes and licenses	2,602,295	2,511,947	1,207,423	1,103,399
Depreciation and amortization	1,668,165	2,014,303	809,880	1,084,198
Occupancy and equipment-related costs	464,717	434,343	265,669	196,833
Miscellaneous (Note 16)	4,147,078	4,697,417	2,058,032	1,959,438
TOTAL OPERATING EXPENSES	14,304,206	14,914,120	6,961,698	6,973,793
INCOME BEFORE INCOME TAX	12,270,882	12,806,121	6,169,189	6,959,036
PROVISION FOR INCOME TAX (Note 17)	1,980,689	3,064,378	1,185,320	2,024,164
NET INCOME	₱10,290,193	₱9,741,743	₱4,983,869	₱4,934,872
ATTRIBUTABLE TO:				
Equity Holders of the Parent Company (Note 18)	₱10,215,912	₱9,755,546	₱4,952,760	₱4,956,471
Non-controlling Interests	74,281	(13,803)	31,109	(21,599)
NET INCOME	₱10,290,193	₱9,741,743	₱4,983,869	₱4,934,872
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 18)				
	₱6.70	₱6.39	₱3.25	₱3.25

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(In Thousands)****(Unaudited)**

	For the Six Months Ended June 30		For the Quarters Ended June 30	
	2024	2023	2024	2023
NET INCOME	₱10,290,193	₱9,741,743	₱4,983,869	₱4,934,872
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items that recycle to profit or loss in subsequent periods:</i>				
Net change in unrealized gains on debt securities at FVOCI, net of tax	484,163	1,264,934	552,494	327,301
Share in changes in net unrealized gains on financial assets at FVOCI of an associate	(236,068)	262,385	(598,460)	29,177
	248,095	1,527,319	(45,966)	356,478
Accumulated translation adjustment	716,836	(677,330)	845,225	(206,678)
	964,931	849,989	799,259	149,800
<i>Items that do not recycle to profit or loss in subsequent periods:</i>				
Net change in unrealized gains on equity securities at FVOCI	273,100	1,278,489	273,100	–
Share in the changes in aggregate reserves (losses) on life insurance policies	110,905	(11,383)	96,407	(5,014)
Remeasurement gains (losses) on retirement plan	(4,141)	18,612	4,035	15,640
	379,864	1,285,718	373,542	10,626
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	1,344,795	2,135,707	1,172,801	160,426
TOTAL COMPREHENSIVE INCOME	₱11,634,988	₱11,877,450	₱6,156,670	₱5,095,298
ATTRIBUTABLE TO:				
Equity Holders of the Parent Company	₱11,369,300	₱11,932,477	₱5,981,771	₱5,067,270
Non-controlling Interests	265,688	(55,027)	174,899	28,028
	₱11,634,988	₱11,877,450	₱6,156,670	₱5,095,298

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands)
(Unaudited)

For the Six Months Ended June 30, 2024													
Equity Attributable to Equity Holders of the Parent Company													
	Capital Stock (Note 15)	Capital Paid in Excess of Par Value	Surplus Reserves (Notes 8 and 15)	Surplus	Net Unrealized Losses on Financial Assets at FVOCI (Note 7)	Remeasurement Losses on Retirement Plan	Accumulated Translation Adjustment	Other Equity Reserves	Share in Aggregate Reserves on Life Insurance Policies	Other Equity Adjustment	Total	Non- Controlling Interests	Total Equity
Balance at January 1, 2024	₱61,030,594	₱32,116,560	₱4,677,930	₱91,979,317	(₱1,722,653)	(₱2,728,542)	₱1,999,668	₱248,830	₱24,246	₱13,959	₱187,639,909	₱3,508,745	₱191,148,654
Total comprehensive income (loss) for the period	-	-	-	10,215,912	521,195	(4,141)	525,429	-	110,905	-	11,369,300	265,688	11,634,988
Dividends by subsidiaries to non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	(3,546)	(3,546)
Reversal of general loan loss reserves under BSP Circular 1011	-	-	147,806	(147,806)	-	-	-	-	-	-	-	-	-
Balance at June 30, 2024	₱61,030,594	₱32,116,560	₱4,825,736	₱102,047,423	(₱1,201,458)	(₱2,732,683)	₱2,525,097	₱248,830	₱135,151	₱13,959	₱199,009,209	₱3,770,887	₱202,780,096

For the Six Months Ended June 30, 2023													
Equity Attributable to Equity Holders of the Parent Company													
	Capital Stock (Note 15)	Capital Paid in Excess of Par Value	Surplus Reserves (Notes 8 and 15)	Surplus	Net Unrealized Losses on Financial Assets at FVOCI (Note 7)	Remeasurement Losses on Retirement Plan	Accumulated Translation Adjustment	Other Equity Reserves	Share in Aggregate Reserves (Losses) on Life Insurance Policies	Other Equity Adjustment	Total	Non- Controlling Interests	Total Equity
Balance at January 1, 2023	₱61,030,594	₱32,116,560	₱4,929,242	₱73,748,748	(₱5,959,275)	(₱2,222,945)	₱2,314,447	₱248,830	₱136,096	₱13,959	₱166,356,256	₱3,549,378	₱169,905,634
Total comprehensive income (loss) for the period	-	-	-	9,755,546	2,805,808	15,196	(632,690)	-	(11,383)	-	11,932,477	(55,027)	11,877,450
Dividends by subsidiaries to non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,780)	(1,780)
Reversal of general loan loss reserves under BSP Circular 1011	-	-	(574,194)	574,194	-	-	-	-	-	-	-	-	-
Balance at June 30, 2023	₱61,030,594	₱32,116,560	₱4,355,048	₱84,078,488	(₱3,153,467)	(₱2,207,749)	₱1,681,757	₱248,830	₱124,713	₱13,959	₱178,288,733	₱3,492,571	₱181,781,304

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	For the Six Months Ended	
	June 30	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱12,270,882	₱12,806,121
Adjustments for:		
Provision for impairment, credit and other losses (Note 13)	2,069,411	1,567,946
Net gains on sale or exchange of assets (Notes 9 and 10)	(506,130)	(2,933,497)
Depreciation and amortization	1,668,165	2,014,303
Amortization of discount, net on investment securities	(2,123,236)	(1,111,518)
Unrealized foreign exchange (gains) losses on		
bonds, bills and acceptances payable	2,124,809	(981,527)
Equity in net earnings of an associate	(241,940)	(161,052)
Gain on financial assets at FVTPL (Note 7)	(369,127)	(74,174)
Amortization of transaction costs on borrowings	37,137	37,639
Loss (gain) on sale of financial assets at FVOCI (Note 7)	(7,007)	28
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Interbank loans receivable	2,227,211	2,304,962
Financial assets at FVTPL	(11,686,927)	(3,894,159)
Loans and receivables	(17,476,325)	(1,525,833)
Other assets	(1,538,677)	(2,234,695)
Increase (decrease) in:		
Financial liabilities at FVTPL	277,267	(207,459)
Deposit liabilities	21,234,074	21,629,136
Accrued taxes, interest and other expenses	(1,143,460)	476,803
Other liabilities	11,946,491	799,554
Net cash generated from operations	18,762,618	28,512,578
Income taxes paid	(2,762,625)	(2,313,508)
Net cash provided by operating activities	15,999,993	26,199,070
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturities of:		
Financial assets at FVOCI	409,487,500	265,256,122
Investment securities at amortized cost	56,425,853	33,091,531
Investment properties	456,594	4,202,053
Property and equipment	47,679	35,803
Return of investment from an associate	122,500	–
Acquisitions of:		
Financial assets at FVOCI	(409,385,834)	(229,742,533)
Investment securities at amortized cost	(47,197,904)	(59,927,735)
Software cost (Note 11)	(515,108)	(445,143)
Property and equipment (Note 9)	(212,511)	(126,675)
Net cash provided by investing activities	9,228,769	12,343,423

(Forward)

	For the Six Months Ended	
	June 30	
	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bills and acceptances payable (Note 21)	₱86,003,810	₱73,670,828
Settlement of bills and acceptances payable (Note 21)	(86,091,871)	(73,431,860)
Settlement of bonds payable (Note 21)	-	(16,560,000)
Payment of principal portion of lease liabilities (Note 21)	(592,326)	(474,880)
Net cash used in financing activities	(680,387)	(16,795,912)
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,548,375	21,746,581
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and other cash items	21,151,391	22,217,915
Due from Bangko Sentral ng Pilipinas	95,410,350	94,701,360
Due from other banks	21,243,856	26,010,183
Interbank loans receivable (Note 21)	30,955,766	9,782,452
Securities held under agreements to resell	69,694,538	64,523,863
	238,455,901	217,235,773
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and other cash items	17,180,496	16,545,526
Due from Bangko Sentral ng Pilipinas	110,198,990	90,815,339
Due from other banks	20,881,818	21,157,436
Interbank loans receivable (Note 21)	30,668,382	27,469,266
Securities held under agreements to resell	84,074,590	82,994,787
	₱263,004,276	₱238,982,354
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	₱30,625,957	₱26,243,931
Interest paid	9,346,829	6,122,906

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousand Pesos Except When Otherwise Indicated)

1. Corporate Information

Philippine National Bank (PNB or the Parent Company) is a universal bank established in the Philippines in 1916. On June 21, 1989, PNB's shares were listed with the Philippine Stock Exchange (PSE). As of June 30, 2024 and December 31, 2023, the shares of PNB are held by the following:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
LT Group, Inc. (LTG) (indirect ownership through its various holding companies)	59.83%	59.83%
PCD Nominee Corporation*	14.29%	14.44%
Other stockholders owning less than 10% each	25.88%	25.73%
	100.00%	100.00%

* Acts as a trustee-nominee for PNB shares lodged under the PCD system

PNB's immediate parent company, LTG, and ultimate parent company, Tangent Holdings Corporation, are also incorporated in the Philippines.

The Parent Company provides a full range of banking and other financial services, which include deposit-taking, lending, bills discounting, trade finance, foreign exchange dealings, investment banking, treasury operations, fund transfers, remittance and trust services, through its 631 domestic branches as of June 30, 2024 and December 31, 2023. As of the same dates, the Parent Company has 72 overseas branches, representative offices, remittance centers and subsidiaries, respectively, in 17 jurisdictions in Asia, North America and Europe, respectively.

The subsidiaries of the Parent Company are engaged in a number of diversified financial and related businesses such as remittance, banking, leasing, stock brokerage, foreign exchange trading and/or related services. The Parent Company and the subsidiaries are collectively referred hereinto as the Group.

The principal place of business of the Parent Company is at PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City, Metro Manila, Philippines.

2. Preparation of the Interim Financial Statements

2.1 Basis of Preparation of the Unaudited Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements of the Group as of June 30, 2024 and for the six months ended June 30, 2024 and 2023 have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2023 prepared under the Philippine Financial Reporting Standards (PFRS).

2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements of the Group are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2023, except for the adoption of the following amended standards, which became effective beginning January 1, 2024. Unless otherwise indicated, the adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
The amendments clarify:
 - That only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current;
 - That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
 - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on its current practice and whether existing loan agreements may require renegotiation.

- Amendments to PAS 7, *Statement of Cash Flows*, and PFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*
The amendments clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right-of-use retained. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

2.3 Significant Judgments and Assumptions

The significant judgments and assumptions made in the unaudited interim condensed consolidated financial statements of the Group are consistent with the most recent annual financial statements issued.

2.4 Seasonality or Cyclicity of Interim Operations

Seasonality or cyclicity of interim operations is not applicable to the Group's type of business.

3. Financial Risk Management

3.1 Risk Management Framework

The Parent Company's Board of Directors (BOD), through the Risk Oversight Committee (ROC), exercises oversight and provides guidance to an experienced Senior Management team who works closely with their teams in managing risk. There is a rich risk culture, which seamlessly flows through not only within PNB, but also across the Group's subsidiaries and affiliates.

The BOD has delegated specific responsibilities to various board committees, which are integral to PNB's risk governance framework and allow executive management, through management committees, to evaluate the risks inherent in the business and to manage them effectively.

Executive officers are assigned to various management committees that provide the leadership and execution of the vision and policies approved by the BOD. PNB's business strategies are driven for most part by the day-to-day directions decided by these management committees with approvals and notation by the various board level committees.

The PNB Board ROC is mandated to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to management. The approach to managing risk is outlined in PNB's Enterprise Risk Management Framework (ERMF), which creates the context for setting policies and standards, and establishing the right practices throughout the PNB Group. It defines the risk management processes and sets out the activities, tools, and organizational structure to ensure material risks are identified, measured, monitored and managed.

The Risk Management Framework includes:

- a comprehensive risk management approach;
- a detailed structure of limits, guidelines and other parameters used to govern risk-taking;
- a clear delineation of lines of responsibilities for managing risk;
- an adequate system for measuring risk;
- effective internal controls and a comprehensive monitoring and risk-reporting process; and
- adherence to standards and regulations.

The Management Risk Committee (MRC) was created as a forum ensuring that PNB's ERMF is operationalized, and that Senior Management has an enterprise-level view of all material risks and that risk-mitigating actions properly determined and effectively executed. Mainly composed of PNB's Sector and Group heads, the MRC will be responsible for reviewing and monitoring enterprise level risks and assessing risk responses proposed or taken by the relevant risk owner, and for providing inputs to the ERMF process. The committee shall periodically assess that PNB's risk appetite statements are aligned with the business strategy and the overall objectives.

The Enterprise Risk Management Group (ERMG) is primarily responsible for the monitoring of risk management functions to ensure that a robust risk-oriented organization is maintained. ERMG is independent from the business lines and is organized as follows:

- Credit Risk Management Division;
- Market, Liquidity and Interest Rate Risk Management Division;
- Operational and Fraud Risk Management Division;
- Integrated Risk Management Division;
- Office of the Chief Information Security Officer and Data Protection Officer
 - IT/IS Project Risk Management and Governance Division
 - Cyber Security Operations Division
 - Data Privacy Department

Each unit monitors the implementation of the processes and procedures that support the policies for risk management applicable to the organization. These policies clearly define the kinds of risks to be managed, set forth the organizational structure and provide appropriate training necessary to manage and control risks. The policies also provide for the validation, audits and compliance testing, to measure the effectiveness and suitability of the risk management structure.

ERMG also functions as the Secretariat to the MRC and ROC which meets monthly to discuss the immediate previous month's total risk profile according to the material risks defined by PNB. Further, each risk division engages with all levels of the organization among its business and support groups. This ensures that the risk management and monitoring is embedded at the moment of origination.

The PNB ERMF banks on a dynamic process that supports the development and implementation of the strategy of PNB. The process revolves around methodically addressing risks associated with the business lines of PNB. With regular reviews and updates, the ERMF has served PNB well and has been resilient through economic cycles. The organization has placed a strong reliance on this risk governance framework and the three-line model, which are fundamental to PNB's aspiration to be world-class at managing risk:

1. The *first line roles* are the lines of business who are directly involved in managing risks. This entails the proactive self-identification of risks as well as the design and implementation of appropriate controls. Within the business lines, a culture of open communication is key to sustainable risk-return thinking. Discussions about new products, existing and new positions, and other issues must be broad and not just limited to meeting financial targets. Data and information availability are a must to ensure that front office and top management undertake relevant and timely decisions with respect to risk taking. Finally, limits and other basic controls must be respected. For example, limit setting and limit monitoring shall be done within prescribed policies and procedures, front-liners who manage clients and handle cash shall be subject to mandatory leaves, and segregation of duties should be clear and enforced.
2. The *second line roles* are the support units who provide expertise and insight to the first line in managing risks. For the Bank, second line roles include the Enterprise Risk Management Group (ERMG) and Global Compliance Group (GCG): ERMG implements the risk management framework and assists risk owners in reporting adequate risk-related information to the ROC. ERMG manages the overall information security, cyber security and data privacy risks of the Bank in terms of confidentiality, integrity and availability of information of its customers as well as other stakeholders. ERMG also manages risks to Information Technology and Project Management. GCG ensures that a strong compliance program is in place, effectively monitored, and aligned with the risks of the Bank's individual business processes. The second line roles may also recommend implementation of action plans, corrective actions or service recovery in managing the risk impact and prevent recurrence. *Note: ERMG reports to the ROC, while GCG reports to the BACC.*
3. The *third line role* is the internal audit function which provides independent and objective assurance and advise on the adequacy and effectiveness of Bank's control, governance and risk management processes. It reports its findings to Management and the Board Audit & Compliance Committee to promote and facilitate continuous improvement. Internal audit's independence from the responsibilities of management is critical to its objectivity, authority, and credibility. It is established through accountability to the governing body, unfettered access to people, resources and data needed to complete its work; and freedom from bias or interference in the planning and delivery of audit services.

All roles, when working together, collectively contribute to the creation and protection of value when they are aligned with each other and with the prioritized interests of the Bank and its stakeholders. Alignment of activities is achieved through communication, cooperation, and collaboration. This

ensures the reliability, coherence, and transparency of information needed for risk-based decision making.

The risk management system and the directors' criteria for assessing its effectiveness are revisited on an annual basis and limit settings are discussed with the business units and presented to the ROC for endorsement for final BOD Approval.

In line with the integration of the BSP required ICAAP and risk management processes, PNB currently monitors 11 Material Risks (3 for Pillar 1 and 8 for Pillar 2). These material risks are as follows:

Pillar 1 Risks:

1. Credit Risk (includes Counterparty and Country Risks);
2. Market Risk; and
3. Operational Risk.

Pillar 2 Risks:

1. Credit Concentration Risk;
2. Interest Rate Risk in Banking Book (IRRBB);
3. Liquidity Risk;
4. Reputational Risk;
5. Strategic Business Risk;
6. Information Security/ Cyber Security / Data Privacy Risk;
7. Information Technology Risk; and
8. Human Resource Risk

Pillar 1 Risk Weighted Assets are computed based on the guidelines set forth in BSP Circular No. 538, Series of 2006 using the Standard Approach for Credit and Market Risks and Basic Indicator Approach for Operational Risks. Discussions that follow below are for Pillar 1 Risks with specific discussions relating to Pillar 2 risks mentioned above:

3.2 Risk Categories and Definitions

Under our ERM framework, all risk-taking business units, including domestic and foreign subsidiaries, shall perform comprehensive assessment of all material risks. This is accomplished annually, and/or more often, as needed. The process includes:

- Identifying all inherent risks by each business unit;
- Prioritizing the most significant risks based on the business impact;
- Quantifying the potential losses of each of these significant risks;
- Providing various risk mitigation and control measures to manage these identified risks; and
- Consolidating risk assessment results and potential losses for capital computation.

The identification of risks revolves around the monitoring of risk categories as defined by BSP for supervision purposes. These key risks, namely: credit, market, interest rate, liquidity, operational, compliance, strategic, and reputational risks, are not only monitored under their separate and distinct components, but also monitored across all interrelated business risks.

We broadly classify and define risks into the following categories and manage the risks according to their characteristics. These are monitored accordingly under the enterprise ICAAP 2024 program:

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Credit Risk (including Credit Concentration Risks and Counterparty Risks)	<p>Credit risk is the risk to earnings or capital that arises from an obligor/s, customer/s or counterparty’s failure to perform and meet the terms of its contract.</p> <p>Credit concentration risk arises from excessive exposures to individual counterparties, groups of related counterparties and groups of counterparties with similar characteristics (e.g., counterparties in specific geographical locations, economic or industry sector). Its potential loss implications are large enough relative to a bank’s capital, total assets, or overall risk level, to threaten a financial institution’s health or ability to maintain its core operations. It is inherent in a bank’s assets, liabilities or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. The potential for loss reflects the size of the position and the extent of loss given a particular adverse circumstance (<i>BSP MORB Sec 301.6, Series of 2009; BCBS</i>)</p>	<ul style="list-style-type: none"> ▪ Loan Portfolio Analysis ▪ Credit Dashboards ▪ Credit Review ▪ Credit Model Validation 	<ul style="list-style-type: none"> ▪ Trend Analysis (Portfolio/ Past Due and Non-Performing Loan Levels) ▪ Monitoring and Compliance to Credit limits (statutory/ regulatory and internal limits) ▪ Stress Testing/Rapid Portfolio Reviews ▪ Credit Risk Rating (CRR) Migration ▪ Tracking of movements of loan portfolio ▪ Concentrations and Demographics Review ▪ Monitoring of large exposure ▪ Monitoring of credit risk concentrations ▪ Counterparty Limits Monitoring ▪ Credit Risk Dashboard (Bankwide, Consumer, Overseas and Subsidiaries, ROPA and SCR) ▪ Capital Adequacy Ratio (quarterly report) ▪ Review of adequacy of loan loss reserves and impairment loss ▪ Specialized Credit Monitoring on Real Estate ▪ Credit Review ▪ Credit Model Validation
Market Risk	Market risk is the risk to earnings or capital arising from adverse	<ul style="list-style-type: none"> ▪ Value at Risk Utilization ▪ Results of 	<ul style="list-style-type: none"> ▪ VaR Limit ▪ Stop Loss Limit ▪ DV01/PV01

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	<p>movements in factors that affect the market value of financial instruments, products and transactions in an institution's overall portfolio, both on or off-balance sheet and contingent financial contracts. Market risk arises from market-making, dealing and position taking in interest rate, foreign exchange, equity, and commodities market. <i>(BSP Cir. No. 544, Series of 2006)</i></p>	<p>Marking to Market</p> <ul style="list-style-type: none"> ▪ Risks Sensitivity/ Duration Report ▪ Exposure to Derivative/ Structured Products 	<ul style="list-style-type: none"> ▪ FX Position Limit ▪ Management Action Triggers for FVOCI ▪ Duration Analysis ▪ ROP Exposure Limit ▪ Limit to Derivatives & Structured products ▪ Exception Report on Traders' Limit ▪ Exception Report on Rate Tolerance ▪ Stress testing / Scenario analysis ▪ BSP Uniform Stress Testing ▪ Monthly validation/ preparation of the Market Risk Weighted Exposures in the CAR Report ▪ Backtesting
Liquidity Risk	<p>Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Bank's inability to meet its obligations when they come due, without incurring unacceptable losses or costs. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. <i>(BSP Cir. No. 981)</i></p>	<ul style="list-style-type: none"> ▪ Funding Liquidity Plan ▪ Liquidity Ratios ▪ Large Fund Providers ▪ Maximum Cumulative Outflow (MCO) ▪ Liquid Gap Analysis ▪ Interbook Lending 	<ul style="list-style-type: none"> ▪ MCO Limit ▪ Liquid Assets Monitoring ▪ Liquidity Stress Testing ▪ Large Fund Provider Analysis ▪ Contingency Planning ▪ Lending from FCDU and RBU Books Limit ▪ TPR Computation
Interest Rate Risk in the Banking Books (IRRBB)	<p>Interest rate risk is the current and prospective risk to earnings or capital arising from movements in interest rates. It arises from differences between the timing of rate changes and the timing of cash flows (repricing risk); from changing rate relationships among different yield curves affecting financial</p>	<ul style="list-style-type: none"> ▪ Interest Rate Gap Analysis ▪ Earnings at Risk (EaR) Measurement ▪ Cashflow based Economic Value of Equity 	<ul style="list-style-type: none"> ▪ EAR Limit ▪ Balance Sheet Profiling ▪ Repricing Gap Analysis ▪ Cashflow based Economic Value of Equity (EVE) ▪ Stress testing ▪ BSP Uniform Stress Testing

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	<p>institution (FI) activities (basis risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and from interest-related options embedded in FI products (options risk). The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. <i>(BSP Cir. No. 1044, Series of 2019)</i></p>		
Operational Risk	<p>Operational Risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes Legal Risk but excludes Strategic and Reputational Risk. Operational Risk is inherent in all activities, products and services, and cuts across multiple activities and business lines within the financial institution and across the different entities in a banking group or conglomerate where the financial institution belongs. <i>(BSP Circular 900, dated 18 January 2016)</i></p>	<ul style="list-style-type: none"> ▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) <p>Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: Risk Identification – Risk Maps Risk Measurement and Analysis – ICAAP Risk Assessment</p>	<ul style="list-style-type: none"> ▪ Internal Control ▪ Board Approved Operating Policies and Procedures Manuals ▪ Board Approved Product Manuals ▪ Loss Events Report (LER) ▪ Risk and Control Self-Assessment (RCSA) ▪ Key Risk Indicators (KRI) monitoring ▪ Fraud Risk Monitoring ▪ Legal Risk Review ▪ Business Continuity Program and Disaster Recovery Plans ▪ Business Continuity Playbooks ▪ Business Impact Analysis (BIA) and Business Continuity Risk Assessment (BCRA) ▪ Crisis Management Plan ▪ Business Continuity Drills and Testing ▪ Vendor Risk Assessment and Vendor Management Risk Monitoring ▪ Statistical Analysis ▪ Awareness Campaign ▪ Risk and Control Trainings

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Included in the Operational Risks:			
<p>Reputational Risk</p>	<p>Reputational risk is the risk to earnings, capital, and liquidity arising from negative perception on the Bank of its customers, shareholders, investors, and employees, market analysts, the media, and other stakeholders such as regulators and other government agencies, that can adversely affect the Bank’s ability to maintain existing business relationships, establish new businesses or partnerships, or continuously access varied sources of funding”. (BSP Circular 1114, dated 08 April 2021).</p> <p>Reputational Risk also covers Customer Franchise Risk and Consumer Protection Risk. Customer Franchise Risk is defined in PNB’s Policy on ICAAP, as the failure to find, attract, and win new clients, nurture and retain those PNB already has, and entice former clients back into the fold as well as the failure to meet client’s expectation in delivering PNB’s products and services. Consumer Protection Risk is defined as failure of PNB to</p>	<ul style="list-style-type: none"> ▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) <p>Monitoring of Pillar II Risks fall under the purview of Operational Risk Management:</p> <ul style="list-style-type: none"> ▪ Risk Identification – Risk Maps ▪ Risk Measurement and Analysis – ICAAP Risk Assessment <p>Major Factors considered:</p> <ul style="list-style-type: none"> ▪ Products ▪ Technology ▪ People ▪ Policies and Processes ▪ Stakeholders (including customer and regulators) 	<ul style="list-style-type: none"> ▪ Customer Engagement and Consolidated Complaints Report ▪ After Call and After Email Survey ▪ Public Relations Campaign ▪ Market research on digital trends and profiling of digital users, statistics on usage, and transactions to anticipate and respond to changes in overall trends related to demands of customers and clients in relation to digital services platforms ▪ Security Measures for Digital Banking ▪ Social Media Management Framework ▪ Social Media Risk Management ▪ Use of Social Media metrics/Social Media Analytics ▪ Website Management ▪ Website Analytics ▪ Mainstream media monitoring tool ▪ Customer feedback mechanism ▪ Products and Marketing review ▪ Fraud Management Program

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	<p>deliver its mandate to provide appropriate service and protection to its financial consumers.</p>		
<p>Strategic Business Risk</p>	<p>Strategic business risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of the firm's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. The resources needed to carry out business strategies are both tangible and intangible. They include communication channels, operating systems, delivery networks, and managerial capacities and capabilities. The organization's internal characteristics must be evaluated against the impact of economic, technological, competitive, regulatory, and other environmental changes. <i>(BSP Cir. No. 510, dated 03 Feb 2006)</i></p>		<ul style="list-style-type: none"> ▪ Regular ALCO reports on latest Financials, monthly CAR projections, weekly performance on deposits, loans, treasury assets (levels, YTD, ADB) ▪ Regular updates on the status of sale of ROPA and other properties as well as NPL reduction ▪ Economic briefings for ALCO, Treasury, and Senior Management by the Bank economist ▪ Corplan's banking, industry reports and research studies ▪ Research Division's regular economic reports and forecasting and equities reports ▪ Budget Performance Report (BPR) distributed to concerned sector/group heads and PNB President (KRAs actual performance against targets) ▪ Compliance updates on new, revised regulations ▪ Annual Strategic Planning activities ▪ Performance and monitoring reports and surveys on bank products and services

<p>Information Security/ Cyber Security Risk</p>	<p>Information Security (Infosec) risk is the risk to organizational operations (including mission, functions, image, and reputation), organizational assets, and individuals due to the potential for unauthorized access, use, disclosure, disruption, modification or destruction of information or information assets that will compromise the Confidentiality, Integrity, and Availability (CIA). This covers data or information being processed, in storage or in transit. Cyber Risk is the risk of damage to an organization through its information systems which is associated with financial loss, disruption or damage to the reputation of an organization from failure, unauthorized or erroneous use of its information systems. <i>(NIST IR 7298 Revision 2, Glossary of Key Information Security Terms, Page Numbers 98 and 100)</i></p>		<ul style="list-style-type: none"> ▪ Enterprise Governance Risk and Compliance (GRC) Solution. <ul style="list-style-type: none"> - Repository for the business units' Information Asset Register (IAR) - Information Security Risk Assessment (ISRA) - Project Risk Assessment (PRA) - IS Checklist ▪ Third-party IS Risk Assessment ▪ Compliance Self-Assessments ▪ IT/IS/Cyber Key Risk Indicators (KRIs) ▪ IS & Cyber Security Awareness Campaigns ▪ Anti-Phishing Campaign and Education ▪ Phishing Simulation Testing <p>Other tools used for managing IS/Cyber security risks are:</p> <ul style="list-style-type: none"> ▪ Security Information and Events Management (thru 24/7 SOC Service Provider) ▪ Threat Intelligence / Cybersecurity Incident Sharing thru BAP ▪ Threat Detector and Visualizer ▪ DDOS Mitigation (Layer 3, Layer 7, DNS Protection thru Akamai) ▪ Data Loss Prevention ▪ Forensic Tools ▪ VAPT Tools thru 3rd Party ▪ Firewall ▪ Web Application Firewall ▪ Intrusion Prevention System ▪ Multi-factor Authentication ▪ Encryption ▪ Anti-Virus/Anti-Malware
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Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
			<ul style="list-style-type: none"> ▪ Web Filtering ▪ VPN ▪ Fortify Software Security Center ▪ Endpoint Detection and Response ▪ Virtual Desktop Infrastructure ▪ Public Key Infrastructure ▪ Managed File Transfer ▪ Privilege Access Management ▪ Mobile Device Management
Data Privacy Risk	<p>Data Privacy (DP) Risk is the risk associated to potential loss due to unauthorized collection, processing, or access to personal data. It includes risks that the confidentiality, integrity and/or availability of personal data will not be maintained, or the risk that processing will violate the rights of data subjects or the general privacy principles (transparency, legitimate purpose and proportionality). Consequently, the data privacy risks may negatively impact the Bank's reputation and may result to financial losses.</p>		<ul style="list-style-type: none"> ▪ Enterprise-wide data privacy management system implementation ▪ Implementing the enterprise-wide data privacy policy and sub-policies including guidelines and procedures ▪ Playbook simulation ▪ Privacy Impact Assessment (PIA) process implementation ▪ Institutionalization of data protection and privacy culture within the PNB Group through education and awareness programs ▪ Implementation of the Data Sharing Agreement and Data Protection Agreement

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Information Technology Risk	<p>Information Technology Risk is any potential adverse outcome, damage, loss, violation, failure or disruption associated with the use of or reliance on computer hardware, software, devices, systems, applications and networks. (BSP Circular 808) It is also a business risk that is associated with the use, ownership, operation, involvement, influence and adoption of IT within PNB. It consists of IT-related events that could potentially impact the business. IT Risk includes Information Security Risk that could result from non-preservation of any or all of the domains of information security; that is, confidentiality, integrity and availability of information asset. (ISACA Risk IT Framework)</p>		<ul style="list-style-type: none"> ▪ Enterprise Governance Risk and Compliance (GRC) Solution, platform for conducting IT Risk Assessment (ITRA) ▪ IT/IS/Cyber Key Risk Indicators (KRIs) ▪ IT Risk Awareness Campaigns
Human Resource Risk	<p>Human Resource Risk covers PNB's risk of financial loss due to the inadequate training, inexperience or illegal activities of risk-taking behavior of personnel. This risk is closely related to operations risk and its internal control aspects. It highlights the human side of risk-taking and the role and adequacy of code of conduct, personnel policies, training and development programs, ability to recruit and retain employees through adequate</p>	<ul style="list-style-type: none"> ▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) 	<ul style="list-style-type: none"> ▪ Talent Acquisition/Retention and Career Management ▪ Remuneration Management ▪ Performance Appraisal System ▪ Training and Development ▪ Labor Management Relations ▪ Code of Conduct/Personnel ▪ Policies ▪ Employee Welfare/Wellness ▪ Employee Engagement Program ▪ Rewards System ▪ Compensation Package

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	compensation and benefits and ability to sustain adequate workforce through succession planning.		Review <ul style="list-style-type: none"> ▪ Attendance Reports ▪ Performance Appraisal Report ▪ Monitoring of employee's deliberate non-submission of acknowledgement receipts of personnel policies issued by HRG ▪ Grievance Reports/ Complaints ▪ Attrition rates, separation reports and exit interview forms ▪ Disciplinary Cases Report ▪ Recruitment Turnaround Time Report ▪ Number of training programs conducted Report ▪ Hiring and Attrition Tracking

4. Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable
- Level 3: valuation techniques for which the lowest level of input that is significant to their fair value measurement is unobservable

As of June 30, 2024 and December 31, 2023, the Group held the following assets and liabilities measured at fair value, and at cost but for which fair values are disclosed:

	June 30, 2024				Total
	Carrying Value	Level 1	Level 2	Level 3	
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	P20,137,329	P11,935,024	P8,202,305	P-	P20,137,329
Private debt securities	1,602,379	415,790	1,186,589	-	1,602,379
Derivative assets	830,432	-	830,432	-	830,432
Equity securities	2,778	2,778	-	-	2,778
Financial assets at FVOCI:					
Government securities	126,404,645	61,037,141	65,367,504	-	126,404,645
Private debt securities	14,235,191	4,126,618	10,108,573	-	14,235,191
Equity securities	26,335,539	762,415	494,915	25,078,209	26,335,539
	P189,548,293	P78,279,766	P86,190,318	P25,078,209	P189,548,293

June 30, 2024					
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Liabilities					
Financial liabilities at FVTPL:					
	P833,079	P-	P833,079	P-	P833,079
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	P114,301,137	P69,373,675	P42,617,924	P-	P111,991,599
Receivables from customers**	621,315,548	-	-	586,868,542	586,868,542
	P735,616,685	P69,373,675	P42,617,924	P586,868,542	P698,860,141
Nonfinancial Assets					
Investment property:					
Land***	P12,217,561	P-	P-	P29,889,693	P29,889,693
Buildings and improvements***	2,473,547	-	-	4,703,671	4,703,671
	P14,691,108	P-	P-	P34,593,364	P34,593,364
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	P138,301,096	P-	P-	P138,099,062	P138,099,062
LTNCDs	12,814,379	-	12,747,585	-	12,747,585
Bonds payable	43,949,434	-	43,648,479	-	43,648,479
Bills payable	11,663,339	-	-	11,285,999	11,285,999
	P206,728,248	P-	P56,396,064	P149,385,061	P205,781,125

* Net of expected credit losses and other deferred credits

** Net of expected credit losses and unearned and other deferred income

*** Net of impairment losses

December 31, 2023					
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	P8,174,405	P2,633,602	P5,540,803	P-	P8,174,405
Private debt securities	1,590,489	914,210	676,279	-	1,590,489
Derivative assets	749,199	-	749,199	-	749,199
Equity securities	2,771	2,771	-	-	2,771
Financial assets at FVOCI:					
Government securities	124,372,410	46,682,566	77,689,844	-	124,372,410
Private debt securities	14,180,552	6,944,140	7,236,412	-	14,180,552
Equity securities	25,978,530	200,709	1,014,081	24,763,740	25,978,530
	P175,048,356	P57,377,998	P92,906,618	P24,763,740	P175,048,356
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	P555,811	P-	P555,811	P-	P555,811
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	P123,200,427	P24,840,676	P98,730,596	P-	P123,571,272
Receivables from customers**	604,188,788	-	-	623,817,129	623,817,129
	P727,389,215	P24,840,676	P98,730,596	P623,817,129	P747,388,401
Nonfinancial Assets					
Investment property:					
Land***	P12,359,795	P-	P-	P26,228,453	P26,228,453
Buildings and improvements***	2,219,763	-	-	7,975,404	7,975,404
	P14,579,558	P-	P-	P34,203,857	P34,203,857
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	P145,752,061	P-	P-	P145,538,240	P145,538,240
LTNCDs	12,803,543	-	12,586,489	-	12,586,489
Bonds payable	41,490,871	-	40,625,938	-	40,625,938
Bills payable	10,607,626	-	-	10,559,411	10,559,411
	P210,654,101	P-	P53,212,427	P156,097,651	P209,310,078

* Net of expected credit losses and other deferred credits

** Net of expected credit losses and unearned and other deferred income

*** Net of impairment losses

As of June 30, 2024 and December 31, 2023, there were no transfers between Level 1 and Level 2 fair value measurements.

5. Segment Information

5.1 Business Segments

The Group's operating businesses are determined and managed separately according to the nature of services provided and the different markets served with each segment representing a strategic business unit.

The Group's business segments follow:

- Retail Banking – principally handling individual customer's deposits, and providing consumer type loans, credit card facilities and fund transfer facilities;
- Corporate Banking – principally handling loans and other credit facilities and deposit accounts for corporate and institutional customers;
- Treasury – principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of Treasury bills, government securities and placements, and acceptances with other banks, through treasury and wholesale banking; and
- Other Segments – include, but not limited to, trust, leasing, remittances, and other support services. Other support services of the Group comprise of operations and finance.

Transactions between segments are conducted at prevailing market rates on an arm's length basis. Interest is credited to or charged against business segments based on market rates which approximate the marginal cost of funds.

For management purposes, business segment report is done on a quarterly basis. Business segment information provided to the BOD, the chief operating decision maker (CODM), is based on the reportorial requirements under Regulatory Accounting Principles of the Bangko Sentral ng Pilipinas (BSP), which differ from PFRS due to the manner of provisioning for impairment and credit losses, measurement of investment properties, and the fair value measurement of financial instruments. The report submitted to CODM represents only the results of operation for each of the reportable segment.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment revenues pertain to the net interest margin and other operating income earned by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The Group has no significant customer which contributes 10.00% or more of the consolidated revenue.

Business segment information of the Group follows:

For the Six Months Ended June 30, 2024 (Unaudited)						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	(P1,082,202)	P14,777,404	P10,288,852	P	P46,128	P24,030,182
Inter-segment	12,898,139	(6,098,440)	(6,799,699)	-	-	-
Net interest margin after inter-segment transactions	11,815,937	8,678,964	3,489,153	-	46,128	24,030,182
Other income	2,455,751	883,478	844,610	1,401,567	(242,963)	5,342,443
Segment revenue	14,271,688	9,562,442	4,333,763	1,401,567	(196,835)	29,372,625
Other expenses	6,632,078	3,664,089	696,970	452,410	(196,835)	11,248,712
Segment result	P7,639,610	P5,898,353	P3,636,793	P949,157	P-	18,123,913
Unallocated expenses						5,853,031
Net income before income tax						12,270,882
Income tax						1,980,689
Net income						10,290,193
Non-controlling interests						(74,281)
Net income for the period attributable to equity holders of the Parent Company						P10,215,912
Other segment information						
Capital expenditures	P133,033	P26,629	P1,652	P5,100	P-	P166,414
Unallocated capital expenditures						561,205
Total capital expenditures						P727,619
Depreciation and amortization	P524,245	P237,248	P11,374	P73,260	P-	P846,127
Unallocated depreciation and amortization						822,038
Total depreciation and amortization						P1,668,165
Provision for (reversal of) impairment, credit and other losses	P14,966	P2,054,052	P315	P78	P-	P2,069,411

As of June 30, 2024 (Unaudited)						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	P790,381,029	P250,267,729	P148,015,498	P90,463,325	(P22,778,499)	P1,256,349,082
Segment liabilities	P775,219,264	P190,979,555	P70,255,270	P40,137,046	(P23,022,149)	P1,053,568,986

* The eliminations and adjustments column mainly represent the RAP to PFRS adjustments

For the Six Months Ended June 30, 2023 (Unaudited)						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	(P533,877)	P14,474,663	P7,621,703	P31,264	P21,177	P21,614,930
Inter-segment	14,594,127	(8,192,814)	(6,401,313)	-	-	-
Net interest margin after inter-segment transactions	14,060,250	6,281,849	1,220,390	31,264	21,177	21,614,930
Other income	2,524,914	3,949,245	812,590	1,193,058	(219,294)	8,260,513
Segment revenue	16,585,164	10,231,094	2,032,980	1,224,322	(198,117)	29,875,443
Other expenses	6,224,264	3,648,535	470,612	(154,134)	(198,117)	9,991,160
Segment result	P10,360,900	P6,582,559	P1,562,368	P1,378,456	P-	19,884,283
Unallocated expenses						7,078,162
Net income before income tax						12,806,121
Income tax						3,064,378
Net income from continuing operations						9,741,743

(Forward)

For the Six Months Ended June 30, 2023 (Unaudited)

	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net income from discontinued operations						–
Net income						9,741,743
Non-controlling interests						(13,803)
Net income for the period attributable to equity holders of the Parent Company						<u>P9,755,546</u>
Other segment information						
Capital expenditures	P77,329	P3,499	P4,524	P5,079	P–	P90,431
Unallocated capital expenditures						481,387
Total capital expenditures						<u>P571,818</u>
Depreciation and amortization	P600,667	P228,089	P8,702	P167,327	P–	P1,004,785
Unallocated depreciation and amortization						1,009,518
Total depreciation and amortization						<u>P2,014,303</u>
Provision for (reversal of) impairment, credit and other losses	P269,066	P1,882,860	(P55,529)	(P528,451)	P–	P1,567,946

As of December 31, 2023 (Audited)

	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	P681,077,435	P296,973,331	P162,833,376	P91,208,829	(P21,543,571)	P1,210,549,400
Segment liabilities	P655,716,486	P277,504,592	P73,979,402	P34,548,168	(P22,347,902)	P1,019,400,746

* The eliminations and adjustments column mainly represent the RAP to PFRS adjustments

5.2 Geographical Segments

Although the Group's businesses are managed on a worldwide basis, the Group operates in four principal geographical areas of the world. The distribution of assets, liabilities, credit commitments, capital expenditures, and revenues by geographic region of the Group follows:

	Non-Current Assets*		Liabilities		Credit Commitments	
	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Philippines	P501,640,259	P483,441,271	P1,016,304,899	P981,819,485	P47,807,638	P46,642,445
Asia (excluding Philippines)	15,200,155	15,782,479	33,398,184	31,573,388	–	–
USA and Canada	2,538,728	2,486,207	3,747,761	5,895,426	–	–
United Kingdom	86,704	328	118,142	112,447	–	–
	<u>P519,465,846</u>	P501,710,285	<u>P1,053,568,986</u>	P1,019,400,746	<u>P47,807,638</u>	P46,642,445

* Gross of allowance for impairment and credit losses and unearned and other deferred income

	Capital Expenditures		Revenues	
	June 30, 2024 (Unaudited)	June 30, 2023 (Unaudited)	June 30, 2024 (Unaudited)	June 30, 2023 (Unaudited)
Philippines	P726,409	P570,178	P36,140,722	P34,585,870
Asia (excluding Philippines)	238	1,640	1,656,813	1,362,056
USA and Canada	972	–	452,724	532,828
United Kingdom	–	–	61,321	56,695
	<u>P727,619</u>	P571,818	<u>P38,311,580</u>	P36,537,449

6. Due from Bangko Sentral ng Pilipinas

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Demand deposit	₱93,198,990	₱78,372,794
Overnight deposit facility (ODF)	15,000,000	15,000,000
Term deposit	2,000,000	2,037,556
	₱110,198,990	₱95,410,350

For the six months ended June 30, 2024 and 2023, Due from BSP bears annual interest rates ranging from 6.0% to 6.6% and from 5.0% to 6.7% respectively.

7. Trading and Investment Securities

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Financial assets at FVTPL	₱22,572,918	₱10,516,864
Financial assets at FVOCI	166,975,375	164,531,492
Investment securities at amortized cost	114,301,137	123,200,427
	₱303,849,430	₱298,248,783

7.1 Financial Assets at FVTPL

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Government securities	₱20,137,329	₱8,174,405
Private debt securities	1,602,379	1,590,489
Derivative assets	830,432	749,199
Equity securities	2,778	2,771
	₱22,572,918	₱10,516,864

The nominal interest rates of debt securities at FVTPL range from:

	For the Six Months Ended June 30	
	2024	2023
Government securities	1.4% - 9.3%	1.4% - 9.3%
Private debt securities	4.9% - 6.9%	4.9% - 6.9%

7.2 Financial Assets at FVOCI

This account consists of:

	June 30, 2024	December 31, 2023
	(Unaudited)	(Audited)
Government securities	₱126,404,645	₱124,372,410
Private debt securities	14,235,191	14,180,552
Equity securities		
Quoted	1,159,570	1,049,195
Unquoted (Note 19)	25,175,969	24,929,335
	₱166,975,375	₱164,531,492

Unquoted equity securities include the Parent Company's retained 49.00% interest in PNB Holdings Corporation (PNB Holdings) amounting to ₱24.8 billion as of June 30, 2024 and ₱24.6 billion as of December 31, 2023 (refer to Note 19). The Group determines its fair value using the net asset value method after applying a 16.50% discount for lack of marketability by referring to a number of recent initial public offerings. On June 23, 2023, the PNB BOD approved and confirmed the plan for PNB to sell 14% of its stake in PNB Holdings through private placement.

The effective interest rates of debt securities at FVOCI range from:

	For the Six Months Ended June 30	
	2024	2023
Government securities	0.6% - 17.2%	0.2% - 19.1%
Private debt securities	1.0% - 6.4%	0.5% - 6.4%

As of June 30, 2024 and December 31, 2023, net unrealized losses on financial assets at FVOCI amounted to ₱1.2 billion and ₱1.7 billion, respectively.

7.3 Investment Securities at Amortized Cost

This account consists of:

	June 30, 2024	December 31, 2023
	(Unaudited)	(Audited)
Government securities	₱101,160,680	₱104,533,382
Private debt securities	13,292,375	18,822,880
	114,453,055	123,356,262
Less allowance for credit losses (Note 13)	151,918	155,835
	₱114,301,137	₱123,200,427

The effective interest rates of investment securities at amortized cost range from:

	For the Six Months Ended June 30	
	2024	2023
Government securities	0.8% - 7.5%	0.8% - 7.5%
Private debt securities	1.8% - 8.3%	0.8% - 8.3%

7.4 Interest Income on Investment Securities at Amortized Cost and FVOCI

This account consists of:

	For the Six Months Ended June 30	
	2024 (Unaudited)	2023 (Unaudited)
Financial assets at FVOCI	₱4,617,742	₱2,433,971
Investment securities at amortized cost	3,270,911	3,450,442
	₱7,888,653	₱5,884,413

7.5 Trading and Investment Securities Gains (Losses) - net

This account consists of:

	For the Six Months Ended June 30	
	2024 (Unaudited)	2023 (Unaudited)
Financial assets at FVTPL		
Government securities	₱337,992	₱77,830
Private debt securities	20,274	(4,156)
Equity securities	6	(94)
Derivatives	10,855	594
Financial assets at FVOCI		
Private debt securities	38	(28)
Equity securities	6,969	-
	₱376,134	₱74,146

8. Loans and Receivables

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Receivables from customers (Note 19):		
Loans and discounts	₱627,464,047	₱607,065,797
Credit card receivables	15,300,164	15,232,845
Customers' liabilities on letters of credit and trust receipts	8,310,608	8,688,649
Customers' liabilities on acceptances	8,158,854	9,533,137
Lease contracts receivable	-	8,399
Bills purchased	1,410,371	1,949,627
	660,644,044	642,478,454
Other receivables:		
Accrued interest receivable (Note 19)	8,399,090	8,179,147
Sales contract receivables (Note 19)	2,288,032	3,760,162
Accounts receivable (Note 19)	3,586,653	5,180,198
Miscellaneous	357,005	366,090
	14,630,780	17,485,597
	675,274,824	659,964,051

(Forward)

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Less: Unearned and other deferred income	733,786	681,399
Allowance for credit losses (Note 13)	42,695,401	42,571,906
	₱631,845,637	₱ 616,710,746

Included in ‘Surplus reserves’ is the amount of ₱4.1 billion and ₱3.9 billion as of June 30, 2024 and December 31, 2023, respectively, which pertains to the excess of 1.00% general loan loss provisions over the computed ECL for Stage 1 accounts as prescribed by BSP Circular 1011, *Guidelines on the Adoption of PFRS 9* (refer to Note 15.2).

As of June 30, 2024 and December 31, 2023, 71.7% and 70.6%, respectively, of the total receivables from customers of the Parent Company were subject to interest repricing. For the six months ended June 30, 2024 and 2023, remaining receivables carry annual fixed interest rates ranging from 1.1% to 9.0% for foreign currency-denominated receivables, and from 1.1% to 31.5% for peso-denominated receivables.

9. Property and Equipment

For the six months ended June 30, 2024 and 2023, the Group purchased assets with cost of ₱0.2 billion and ₱0.1 billion, respectively. For the same periods, the Group disposed property and equipment with net book value of ₱20.9 million and ₱21.9 million, respectively, recognizing gain on sale of ₱26.8 million and ₱13.9 million, respectively.

10. Investment Properties

For the six months ended June 30, 2024, and 2023, the Group foreclosed investment properties amounting to ₱0.5 billion and ₱0.2 billion, respectively. For the same periods, the Group disposed investment properties with net book value of ₱130.3 million and ₱1.6 billion, recognizing gain on sale of ₱326.3 million and ₱2.6 billion, respectively.

11. Goodwill and Intangible Assets

11.1 Software Costs

For the six months ended June 30, 2024 and 2023, the Group purchased software with cost of ₱0.5 billion and ₱0.4 billion, respectively.

11.2 Goodwill

As of June 30, 2024 and December 31, 2023, goodwill for each cash-generating unit amounted to:

Retail Banking	₱6,110,312
Treasury	2,038,163
Corporate Banking	2,036,368
	₱10,184,843

Goodwill is reviewed for impairment annually in the fourth quarter of the reporting period, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As of June 30, 2024, the Parent Company assessed no events or changes in circumstances that will require impairment testing of its goodwill.

12. Other Assets and Other Liabilities

12.1 Other Assets

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Financial		
Fund for electronic money products	P350,000	P350,000
Returned checks and other cash items	24,091	28,298
Security deposits (Note 19)	19,589	18,279
Miscellaneous	5,654	5,680
	399,334	402,257
Nonfinancial		
Deferred charges (Note 19)	2,850,418	2,065,324
Creditable withholding taxes	2,010,768	1,309,256
Prepaid expenses	693,408	362,254
Real estate under development	519,448	519,448
Documentary stamps on hand	353,439	471,092
Chattel mortgage properties - net of depreciation	297,251	304,817
Stationeries and supplies	73,635	99,536
Other investments	26,492	26,335
Miscellaneous	1,390,666	929,602
	8,215,525	6,087,664
	8,614,859	6,489,921
Less allowance for credit and impairment losses (Note 13)	1,056,727	1,035,620
	P7,558,132	P5,454,301

12.2 Other Liabilities

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Financial		
Accounts payable	P14,888,083	P2,988,517
Manager's checks and demand drafts outstanding	1,347,255	1,296,191
Due to other banks (Note 19)	1,308,627	744,625
Dormant credits	1,231,547	1,280,886
Bills purchased - contra	758,812	1,362,515
Accounts payable - electronic money	620,154	628,449
Payment order payable	286,972	221,340
Margin deposits and cash letters of credit	148,327	686,130
Deposits on lease contracts (Note 19)	73,165	76,028

(Forward)

	June 30, 2024	December 31, 2023
	(Unaudited)	(Audited)
Remittance liability	70,125	49,101
Deposit for keys on safety deposit boxes	15,866	15,919
	20,748,933	9,349,701
Nonfinancial		
Due to Treasurer of the Philippines	1,440,442	1,444,009
Provisions	877,011	1,068,215
Deferred revenue - Credit card-related	612,408	672,373
Deferred revenue - Bancassurance	390,674	427,274
Withholding tax payable	351,824	374,139
Retirement benefit liability	237,659	281,585
Deferred tax liabilities	166,817	166,091
SSS, Philhealth, Employer's compensation premiums and Pag-IBIG contributions payable	61,339	54,638
Miscellaneous	995,185	903,897
	5,133,359	5,392,221
	₱25,882,292	₱14,741,922

13. Allowance for Impairment, Credit and Other Losses

Movements in this account follow:

	June 30, 2024	December 31, 2023
	(Unaudited)	(Audited)
Balance at beginning of period:		
Due from other banks	₱9,898	₱9,898
Interbank loans receivable	8,045	1,369
Securities held under agreements to resell	14,152	2,188
Financial assets at FVOCI	45,673	121,585
Investment securities at amortized cost (Note 7)	155,835	3,847,850
Loans and receivables (Note 8)	42,571,906	38,944,781
Property and equipment	1,133,292	1,168,887
Investment properties	2,318,900	2,175,669
Other assets (Note 12)	1,035,620	1,041,840
	47,293,321	47,314,067
Movements during the period:		
Provision for impairment, credit and other losses	2,069,411	5,923,078
Accounts charged-off	(1,949,753)	(5,095,075)
Transfers and others	225,008	(848,749)
	344,666	(20,746)
Balance at end of period:		
Due from other banks	9,876	9,898
Interbank loans receivable (Note 21)	11,880	8,045
Securities held under agreements to resell	14,252	14,152
Financial assets at FVOCI	51,760	45,673
Investment securities at amortized cost (Note 7)	151,919	155,835
Loans and receivables (Note 8)	42,695,401	42,571,906
Property and equipment	1,133,292	1,133,292

(Forward)

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Investment properties	2,512,880	2,318,900
Other assets (Note 12)	1,056,727	1,035,620
	₱47,637,987	₱47,293,321

14. Financial Liabilities

14.1 Deposit Liabilities

As of June 30, 2024, and December 31, 2023, noninterest bearing deposit liabilities amounted to ₱26.9 billion and ₱27.1 billion, respectively. For the six months ended June 30, 2024, and 2023, the remaining deposit liabilities of the Group generally bear annual fixed interest rates ranging from 0.1% to 6.1% and 0.1% to 7.5%, respectively, for peso-denominated deposit liabilities, and from 0.01% to 5.5% and 0.01% to 6.2%, respectively, for foreign currency-denominated deposit liabilities.

On June 23, 2023, the BSP issued its Circular No. 1175, which reduces the reserve requirement ratios of deposit and deposit substitute liabilities of banks and non-bank financial institutions with quasi-banking functions. For universal and commercial banks, reserve requirement for non-FCDU deposit liabilities is reduced from 12.0% to 9.5% effective June 30, 2023.

LTNCDs issued by the Parent Company consist of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value	
					June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
October 11, 2019	April 11, 2025	₱4,600,000	4.38%	Quarterly	₱4,594,987	₱4,591,288
February 27, 2019	August 27, 2024	8,220,000	5.75%	Quarterly	8,219,392	8,212,255
		₱12,820,000			₱12,814,379	₱12,803,543

Interest expense on deposit liabilities consists of:

	For the Six Months Ended June 30	
	2024 (Unaudited)	2023 (Unaudited)
Savings	₱4,808,990	₱2,767,284
Time	2,819,565	2,237,710
LTNCD	347,787	428,333
Demand	101,454	98,504
	₱8,077,796	₱5,531,831

14.2 Bonds Payable

This account consists of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value	
					June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
<u>Fixed rate medium term senior notes</u>						
June 27, 2019	September 27, 2024	USD750,000	3.28%	Semi-annually	₱43,949,434	₱41,490,871

As of June 30, 2024, and December 31, 2023, the unamortized transaction costs of bonds payable amounted to nil and ₱26.3 million, respectively. For the six months ended June 30, 2024 and 2023, amortization of transaction costs amounting to ₱26.3 million and ₱37.6 million were charged to 'Interest expense on bonds payable' in the statements of income.

15. Equity

15.1 Capital Stock

This account consists of (amounts in thousands, except for par value and number of shares):

	Shares	Amount
Common - ₱40 par value		
Authorized	1,750,000,001	₱70,000,000
Issued and outstanding		
Balance at the beginning and end of the period	1,525,764,850	₱61,030,594

As of June 30, 2024 and December 31, 2023, the Parent Company had 36,019 and 36,081 stockholders, respectively.

15.2 Surplus Reserves

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Reserves under BSP Circular 1011 (Note 8)	₱4,060,478	₱3,912,672
Reserves for trust business	660,258	660,258
Reserves for self-insurance	105,000	105,000
	₱4,825,736	₱4,677,930

15.3 Regulatory Reporting for Capital Management

As of June 30, 2024 and December 31, 2023, Common Equity Tier 1 (CET1) ratio and Total Capital Adequacy Ratio (CAR) are as follows:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Consolidated		
a) CET1 Capital/Tier 1 Capital	₱145,302,604	₱135,237,152
b) Total Qualifying Capital	152,213,685	142,058,656
c) Total Risk-Weighted Assets	785,330,743	802,506,454
CET 1 Ratio/Tier 1 Ratio (a/c)	18.5%	16.85%
Total CAR (b/c)	19.4%	17.70%
Parent Company		
d) CET1 Capital/Tier 1 Capital	₱122,662,875	₱113,678,152
e) Total Qualifying Capital	129,360,634	120,279,567
f) Total Risk-Weighted Assets	759,124,618	775,138,367
CET 1 Ratio/Tier 1 Ratio (d/f)	16.16%	14.67%
Total CAR (e/f)	17.04%	15.52%

16. Other Operating Income and Expenses

16.1 Service Fees and Commission Income

This account consists of:

	For the Six Months Ended June 30	
	2024 (Unaudited)	2023 (Unaudited)
Deposit-related	₱937,081	₱866,003
Credit card-related	837,316	746,660
Remittance	332,043	334,484
Loan-related	414,468	299,489
Trust fees	183,346	186,740
Bancassurance	131,662	142,871
Underwriting fees	102,262	312,564
Miscellaneous	63,942	830,304
	₱3,002,120	₱3,719,115

Certain items were reclassified in 2023 for comparative purposes.

16.2 Miscellaneous Expenses

This account consists of:

	For the Six Months Ended June 30	
	2024	2023
	(Unaudited)	(Unaudited)
Secretarial, janitorial and messengerial	₱963,713	₱840,733
Insurance	945,020	1,025,378
Marketing	706,567	459,643
Information technology	513,003	501,320
Travelling	219,701	172,869
Litigation and assets acquired	164,871	323,558
Stationery and supplies	162,982	96,830
Management and other professional fees	114,672	126,484
Entertainment, amusement and recreation	77,380	61,285
Postage, telephone and cable	69,662	76,056
Common use service area charges	54,937	80,877
Repairs and maintenance	22,772	17,768
Freight	10,008	12,303
Fuel and lubricants	5,620	6,502
Others	116,170	895,811
	4,147,078	₱4,697,417

17. Income Taxes

Provision for income tax consists of:

	For the Six Months Ended June 30	
	2024	2023
	(Unaudited)	(Unaudited)
Current		
Regular	₱1,045,881	₱1,441,692
Final	1,898,323	1,355,719
	2,944,204	2,797,411
Deferred	(963,515)	266,967
	₱1,980,689	₱3,064,378

As of June 30, 2024 and December 31, 2023, the Group recognized deferred tax assets amounting to ₱8.0 billion and ₱7.0 billion, respectively, with the increase in 2024 mainly coming from deferred tax assets on allowance for impairment and credit losses.

18. Earnings Per Share

Earnings per share attributable to equity holders of the Parent Company are calculated as follows:

	For the Six Months Ended	
	June 30	
	2024	2023
	(Unaudited)	(Unaudited)
a) Net income attributable to equity holders of the Parent Company	₱10,215,912	₱9,755,546
b) Weighted average number of common shares for basic earnings per share	1,525,765	1,525,765
c) Basic and diluted earnings per share (a/b)	₱6.70	₱6.39

There are no potential common shares with dilutive effect on the basic earnings per share.

19. Related Party Transactions

Balances of significant related party transactions of the Group as of June 30, 2024 and December 31, 2023 are shown in the following table (transactions with subsidiaries have been eliminated in the consolidated financial statements). Transactions reported under subsidiaries represent companies where the Parent Company has control. Transactions reported under other related parties represent companies which are under common control.

	Significant Investors		Subsidiaries		Other Related Parties		Associate	
	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Receivables from customer	₱-	₱-	₱974,620	₱-	₱56,387,662	₱55,298,956	₱-	₱-
Credit facilities	-	-	12,475,139	10,638,270	59,586,693	77,116,535	120,000	120,000
Sales contract receivable	-	-	-	-	-	2,173	-	-
Financial assets at FVOCI	-	-	-	-	24,867,507	24,587,068	-	-
Interbank loans receivable	-	-	14,466	52,680	-	-	-	-
Due from other banks	-	-	307,247	288,020	-	-	-	-
Accounts receivable	-	-	25,715	17,276	-	-	-	-
Accrued interest receivable	-	-	140	1,076	310,599	297,551	-	-
Right-of-use assets	-	-	-	-	3,011,623	2,055,010	-	-
Security deposit	-	-	-	-	-	176,082	-	-
Deposit liabilities	3,179,594	2,276,926	4,621,476	3,155,369	40,399,460	46,333,463	318,207	128,165
Accrued interest payable	9,411	2,188	15,223	21,113	121,905	267,825	35	41
Accrued other expenses	-	-	-	-	505,881	402,589	-	-
Lease liabilities	-	-	-	-	-	2,107,960	-	-
Rental deposits	-	-	-	-	-	-	-	27
Deferred revenues	-	-	-	-	39,444	41,111	512,393	548,993
Due to other banks	-	-	1,036	65	-	-	-	-

Significant related party transactions of the Group for the six months ended June 30, 2024 and 2023 follow (transactions with subsidiaries have been eliminated in the consolidated financial statements):

	Significant Investors		Subsidiaries		Other Related Parties		Associate	
	June 30	2023	June 30	2023	June 30	2023	June 30	2023
Interest income	P-	P-	P-	P65,427	P1,730,262	P557,678	P-	P-
Interest expense	58,700	31,972	102,420	83,146	788,346	724,477	496	855
Miscellaneous other income	-	-	1,621	1,160	-	-	-	-
Purchases of securities	-	-	23,024	46,177	5,940,404	1,781,889	-	-
Sale of securities	-	-	523,204	77,342	2,635,593	3,364,821	-	-
Trading gains (losses)	-	-	130	18	890	(31,566)	-	-
Service fee income	-	-	-	-	-	-	36,600	36,600

Transactions with related parties are made on similar terms and conditions as disclosed in the most recent annual audited financial statements.

20. Provisions, Contingencies and Other Commitments

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities which are not presented in the accompanying unaudited interim condensed financial statements including several suits and claims which remain unsettled. The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the unaudited interim condensed financial statements.

There were no significant settlements made in the second quarter of 2024.

In the ordinary course of the Group's operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations.

21. Notes to the Statement of Cash Flows

21.1 Interbank Loans Receivable

The amount of the Group's interbank loans receivable considered as cash and cash equivalents follow:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Interbank loans receivable	P33,131,725	P35,642,485
Less: Allowance for credit losses	11,880	8,045
	33,119,845	35,634,440
Less: Interbank loans receivable not considered as cash and cash equivalents	2,451,463	4,678,674
	P30,668,382	P30,955,766

21.2 Cash Flows from Financing Activities

The changes in liabilities arising from financing activities for the six months ended June 30, 2024 and 2023 follow:

	June 30, 2024 (Unaudited)			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱20,162,603	(₱88,061)	(₱307,455)	₱19,767,087
Bonds payable	41,490,871	–	2,458,563	43,949,434
Lease liabilities	3,832,884	(592,326)	423,996	3,664,554
	₱65,486,358	(₱680,387)	₱2,575,104	₱67,381,075

	June 30, 2023 (Unaudited)			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱14,980,373	₱238,968	(₱399,843)	₱14,819,498
Bonds payable	58,439,097	(16,560,000)	(544,045)	41,335,052
Lease liabilities	3,636,391	(474,880)	998,612	4,160,123
	₱77,055,861	(₱16,795,912)	₱54,724	₱60,314,673

21.3 Non-Cash Transactions

For the six months ended June 30, 2024 and 2023, additions to right-of-use assets amounted to ₱0.4 billion and ₱0.9 billion, while additional lease liabilities amounted to ₱0.4 billion and ₱1.0 billion, respectively.

For the six months ended June 30, 2024 and 2023, the Group foreclosed investment properties amounting to ₱0.5 billion and ₱0.2 billion, respectively.

For the six months ended June 30, 2024 and 2023, the Group applied creditable withholding taxes against its income tax payable amounting to ₱181.6 million and ₱451.9 million, respectively.

22. Contingencies and Commitments Arising from Off-Balance Sheet Items

The following is a summary of various commitments, contingent assets and contingent liabilities at their equivalent peso contractual amounts:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Trust department accounts	₱178,766,759	₱168,037,276
Derivative forwards	137,008,136	195,661,001
Standby letters of credit	62,990,866	65,344,786
Unutilized credit card lines	46,645,171	45,354,961
Derivative spots	25,802,768	21,141,791
Deficiency claims receivable	24,661,917	23,953,740
Inward bills for collection	732,994	434,566
Outward bills for collection	355,133	236,311

(Forward)

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Unused commercial letters of credit	57,638	440,767
Confirmed export letters of credit	101,102	93,852
Items held as collateral	27,571	58,887
Shipping guarantees issued	21,576	23,101
Other contingent accounts	97,302	7,182

23. Other Matters

The Group has nothing material to report on the following items:

- known demands or commitments that will have a material impact on the Group's liquidity and continuing operations within the next twelve (12) months;
- any events that will trigger direct or contingent financial obligations that is material to the Group, including any default or acceleration of an obligation;
- material off-balance sheet transactions, various commitments, arrangements, contingent assets and contingent liabilities other than those already discussed in Note 22;
- material commitments for capital expenditures;
- issuances, repurchases and repayments of debt and equity securities;
- seasonal aspects that had a material effect on the Group's financial condition and results of operations;
- dividends declared or paid; and
- material events subsequent to June 30, 2024.

ANNEX B

**PHILIPPINE NATIONAL BANK
SCHEDULE OF AGING OF LOANS RECEIVABLES FROM CUSTOMERS**

The Schedule of Aging of Loans Receivables from Customers, as required by Philippine Stock Exchange (PSE) in its Circular letter No. 2164-99 dated August 23, 2001, is shown below (in thousands):

	June 30, 2024
Current Accounts	₱610,597,213
Past Due:	
Less than 30 days	5,550,847
31 to 90 days	1,415,682
91 to 180 days	4,147,801
More than 180 days	38,932,501
Loans Receivables, gross	₱660,644,044
Less:	
Unearned and other deferred income	(733,786)
Allowance for credit losses	(38,594,710)
Loans Receivables, net	₱621,315,548